

The Pawtucket School Committee held a budget workshop on Tuesday, January 18, 2011 at the JMW Complex for Performing and Visual Arts Media Center, 350 Division Street, Pawtucket, Rhode Island 02860. This workshop was opened to the public.

I. Meeting will come to order: Roll call:

The Chairperson called the meeting to order at 6:01 PM.

Roll call:

Mr. Araujo-here; Ms. Bonollo-here; Mr. Coughlin-here; Mr. Noonan-here; Mr. Tenreiro-here; Mr. Spooner-here

Ms. Nordquist was not present this evening.

Also in attendance was Mrs. Cylke, Superintendent of Schools; Mr. Thomas Conlon, Business Administrator, Mrs. Maggie Baker, Assistant Business Administrator

II. Pledge of Allegiance:

The Chairperson led the audience in the Pledge of Allegiance.

III. Public Participation:

Mr. Joseph Knight: A the last meeting Mr. Chellel was asked to continue to resume his duties on the labor sub-committee. He was not an official member of that sub-committee, he resigned those duties to take on the required role of Chairperson. Secondly, I asked for certain financial contracts of administrators as is required by state law and I haven't received anything on that. I would also like to speak about bringing up open access and open meetings. You have an agenda item on an executive session such as Deputy Superintendent's contract, it is not specific to the open meetings line and I'd think you'd find that while you don't have to use names you

have to be specific and tell the public what you're doing. I would hope that this committee tries to remain open and forthcoming with their operations. As a school committee we have a duty to post all our minutes on line last year or two years ago also and this has not been done and I would like to see them and this was a decision made by the school committee eighteen months ago or at least on the Pawtucket School Committee's web site.

IV. Review of current FY11 Budget and potential FY12 Budget deficit:

Mrs. Cylke: This meeting was called at the request of your last meeting and at the process of you taking a close look at your budget, our current budget, our budget deficit for next year. I want to thank Ms. Baker and Mr. Conlon for their work and effort. What I am about to present tonight is not a suggestion or a proposal. I'm going to present the facts as we know them. Toward the end I want to give a scenario of how next year looks. My role tonight is to give you good information. This is not a proposal of any kind. Also what I am providing this evening is budget information it's not our goal to go through this document tonight. The City's budget plan summary is something we received last week when we met with the City and the Department of Revenue and the good news out of that meeting was that the interim director is not appointing a Receiver to the City of Pawtucket. She feels that there has been a real spirit of cooperation, that we take this issue seriously. Pawtucket is on a monitor status by the Department of Revenue and she did end the meeting with a very clear and straight forward comment and that is she wants to see some action and movement toward our goals and encouraged us to

continue our movement forward. Also we have some information on tab three on health insurance. We provided a copy of the City's five year stabilization plan and that was prepared by Mayor Grebien and Tony Pires. We also wanted to include their year-end deficit statutes. One of the conversations with Rose Mary Booth Gallogly was really a bond deficit. There are very specific rules and guidelines if they move forward with that if that is their intent. They also provided us with information from other communities like North Providence and Woonsocket so we can show you what their plan looks like.

Our FY10 deficit was \$2.2 million and FY11 was \$3.9 million. The City has a deficit of about \$12 million. Last year the City of Pawtucket had a \$9 million debt in revenue when the State Legislature decided to withhold the automobile excise tax money that normally go to municipalities. In FY10 the School Department had a \$480,000 deficit.

That's less than .5% of the total budget. Last spring a judge ruled on a Caruolo action and said that that's truly not a deficit. That's due to overspending. On my second day on the job, Mr. Conlon advised me that the State was reducing our revenue by 3%. So that's a \$1.8 million hit. The thing that surprised me was that was June 23rd and I thought I misunderstood and I thought it was going to be next year and when I realized it was for last year I asked how do you address a \$2.2 million deficit with only seven days left in the fiscal year when the money has already been spent? The simple response is you don't, you can't. The law requires a budget reduction deficit plan. The law allows when you have a deficit and to spread that out over a five year plan. You have to make a commitment over a five year plan

in your budget to pay that off. So the plan that Ron Wunschel came up with was he would budget on the City side \$150,000, the next year \$450,000 and the next three years \$600,000 and that deficit would be addressed. The Auditor General received this plan and denied it. We had a lengthy meeting and there was a concern that the City could pay back the money in five years. He was concerned that with the City's current money problems and the anticipated budget problems as well as the School Department's budget problems this could not be done. So he asked us to resubmit and asked for a more solid plan.

Mr. Coughlin: Deficit reduction plan. We're not borrowing money somewhere; we're just amortizing that money somewhere on paper across six years?

Mrs. Cylke: A budget deficit reduction plan that deficit is legally the City's deficit. They have to by law come up with a plan on how to pay down this deficit within their City budget. They have to find a way to transfer this money and pay this deficit. The next year he would set aside \$450,000. But the law is very clear you cannot go beyond five years. It's the City's way of having some wiggle room of dealing with the deficit.

Mr. Conlon: We do not pay it back. They increase the tax or whatever is necessary to increase revenue to pay that. It also leads to a lot of confusion because it looks like a loan installment because guaranteed on a financial statement it looks like revenue so it almost seems like we're getting a surplus, but it's not.

Mr. Coughlin: So instead of getting an extra \$2.3 million for this year

in Maintenance of Effort, we're going to get \$150,000 in Maintenance of Effort for next year and the year after that? Had this been approved?

Mr. Conlon: Exactly.

Mr. Noonan: Do we send in our own or are we included in the City—a deficit reduction plan?

Mrs. Cylke: The City's.

Mr. Noonan: We just have the City's okay. Do you know if the City has ever done this before?

Mr. Conlon: Yes. If it wasn't for the City's deficit this would have been approved.

Mr. Noonan: So they just wrap our deficit in with their budget stuff?

Mr. Conlon: Yes.

Mr. Noonan: Okay, thank you Tom.

Mrs. Cylke: When I was home for the holidays and tried to explain this to my education colleagues they said let me see if I understand this correctly; the State reduced your budget by \$3 million and the City by \$9 million and then you have a meeting with the State Auditor General and the Department of Revenue and they're going to help you fix the problem? And they're going to monitor you because they think you've overspent? So this whole scenario is bizarre, but it is what it is. But that's exactly what we're in and it is our reality.

The Auditor General denies the plan and we have the \$2.4 million from FY10. So when we started on July 1st we were approximately \$500,000 over our budget. I wasn't very stressed about this because \$500,000 in a \$95 million budget means you have to look at

something in the next couple of months just to make that up. However, in late June the legislature reduced their revenue to the School Department by \$2.9 million. That represented about 95% maintenance of effort that the legislature allowed that year and it also reflected a drop in student enrollment for the entire year. So all of a sudden this \$500,000 deficit is overnight \$3.4 million.

Your legal counsel asked you to file the paper work for Caruolo if you had to, but we didn't go in that direction. To make matters worse 118 kids registered in September, but we had to spend \$475,000 we didn't have to put teachers in classrooms. When you add all of this up in FY10 \$1.8 million reduced by the State retroactive, FY10 operating deficit of \$480,000; FY11 deficit \$500,000, \$2.9 million reduction in maintenance of effort and \$470,000 for new teachers for a total combined deficit of \$6.2 million. State law requires that we have a balanced budget. The School Committee advised the City that they had a deficit as they have to by law advised that they may file a Caruolo action. However, after considering the City's financial status, Mr. Spooner, Mr. Tenreiro and Mr. Araujo did not express a strong appetite to go down that road. They realized the situation that the City was in and with a Caruolo action, you have to pay legal fees and pay for an audit and I think the general feeling was that we are going after money that wasn't there.

We have to look at two ways to balance the budget. We can raise taxes and keep in mind the School Committee does not have the power to do that or you can reduce expenditures. You can attempt to delay negotiations and salary increases; you can look at furlough

days; you can look at negotiating increasing co-pays for insurance; you can eliminate positions; you can freeze hiring and you can freeze spending.

Mr. Noonan: What exactly is a furlough day and how does that work?

Mrs. Cylke: You're told you don't have to work, you're not coming to work and we're not paying you. That's really what a furlough day is.

Keep in mind that teachers have a one hundred and eighty four day contract, the non-certified are supposed to work two hundred and thirty days as do administrators. The potential in the long run is the law requires that students be in school for one hundred and eighty days. So we need to keep in mind that teachers need two days to prepare prior to coming in and two days at the end of the school year.

I've seen many districts extend that contract to one hundred eighty six; one hundred eighty eight; one hundred and ninety days and not pay them for those extra days but use them for professional development.

Mr. Noonan: But if we tell the teachers they have a furlough day we wouldn't be violating the collective bargaining agreement?

Mrs. Cylke: We would, we would have to negotiate that.

A contractual contract would have to be challenged but the administrators and non-certified contracts expired. We are in the process of renegotiating those contracts. The administrators expired but they are saying if it was not renewed things stayed the same and that's been for the last two years. They've had a renewed contract. In the fall of 2009, the School Department negotiated with the Pawtucket Teachers' Alliance and in that negotiations there was a 1.5% and 1.5%

for the first and second six months FY11 as well as a 3% raise in FY12. Also what was negotiated was an increase in co-pays. Teachers this year pay 5% and it will jump to 9% next year. In the mean time in the fall, we put together a budget advisory committee and basically it consists of all union presidents and they receive all information and its transparency so it's not to have them read about things in the paper.

We had a very important meeting in October with the City and the Mayor. We know he wanted us to go to our unions and ask for some concessions, but what was the number he was asking for. We ended the year with a \$400,000 deficit so at the end of that meeting he said that's ours, we own it. The \$1.8 million was the States and the point I made was this: Mayor you can't go to your employees and say this, I have to come up with \$1.8 million because the legislature cut us and likewise, I can't go to my employees and say the legislature cut us and I have to come up with \$1.8 million. Everyone was in agreement at that meeting that that \$1.8 million would be addressed with the budget deficit reduction plan. Now it was \$2.4 million, now we're looking at \$1.8 million. I want the committee to know that right after the first of the year with Mayor Grebien, he didn't like that plan and he said he wouldn't have agreed to it had he been involved in the process and I understand why. I feel there was an agreement made then and there is an agreement. The Mayor was there, the Chief Financial Officer for the City, and our team we were all there.

Mr. Noonan: Did he say why he didn't like it?

Mrs. Cylke: Basically because we're resolving ourselves of \$1.8

million and we're saying the City will come up with a plan to deal with it over the next five years.

Now we want to look at FY11 and review. We have a \$3.9 million deficit; the \$480,000 absorbed from FY10 and \$4.3 million. Then the education jobs money came through in the amount of \$2.9 million. The real goal here was that people would not lose jobs.

Mr. Coughlin: If Duncan made it available through the Federal Jobs money, wasn't it the Commissioner who counseled all the districts to count that money because it was then Governor Carcieri on the General Assembly in January who would attempt to back out \$2.9 million of state funding which would squash that number to zero? Or do we truly have that \$2.9 million?

Mrs. Cylke: That's a great question. Because of past pattern we were cautious how we budget our money. I think since the election of Mr. Chafee there's a much better feeling out there that he will not do that. He has made a very strong commitment to educators and that he would veto that. But it goes back to last June 23rd. If that is in the works you are going to see some very civil outrage from area school superintendents because \$32 million is a lot of money that is destined to the State of Rhode Island.

Mr. Conlon: Mrs. Gallogly said as of right now it looks like the state has a balanced budget for this year. They used \$9 million of stabilization funds to do this.

Mr. Coughlin: So you're reasonably confident right now?

Mrs. Cylke: Reasonably, yes.

Mr. Noonan: Who would be the big leader on taking away our

money? What politician should I write a letter too?

Mrs. Cylke: One of the things I want to do is to invite our legislatures to a joint session of City Council and our School Committee because that's the best way for the public in a non-hostile manner to find out how to help. Where I'm from we use to have breakfast and host the legislature a lot.

Mr. Araujo: That \$2.9 million is there a cutoff date that the State could attack that education jobs money? Is that January or June?

Mrs. Cylke: No, the money is here. It's coming to Rhode Island. I don't think there's a cutoff date.

Mr. Conlon: No they wouldn't actually just take it, but we're reasonably assured.

Mrs. Cylke: The Pawtucket School Department is looking for \$1.5 million in concessions to balance FY11 budget. My goal is to keep people employed. Maybe that's unrealistic but when you talk about \$1.5 million it is realistic. When you talk about concessions, we already talked about increased co-pays, furlough days, salary decreases.

In late December Mr. Conlon received a letter stating that Medicaid reimbursement was being increased. We saw that as a bonus of \$180,000. What if the unidentified cuts met the \$1.5 projections? What are these unidentified cuts? You have a budget and a group of employees who get sick and may be out six weeks; or take a long leave; take a maternity leave and even extend that leave up to a year. So sometimes it means the substitutes are less than a full time person. Sometimes the utility bills are planned lower than expected.

Mr. Conlon has saved this information year after year and you can almost count on \$1.5 million year after year. You could look at layoffs, it's not illegal. Keep in mind we have already eliminated six employees in the non-certified union based on the Cotton and Company audit. We reduced the number of employees there.

Mr. Tenreiro: Tom, do you need a motion to reduce that bottom line by that Medicaid by \$180,000?

Mr. Conlon: No.

Mr. Tenreiro: It's automatic. I have a few motions I'd like to bring to the floor. Mr. Spooner and myself worked closely to scrutinize the FY11 budget. I think the openness and transparency has been wonderful and I know you that advisory group having been giving the same information at the same time to the different union representatives, I think has been wonderful. Mr. Conlon we go back even further. Even with this process, when I call you the answers are there and I just always found you to be a great guy of integrity. As we go through the budget I know there might be some disagreements at times within the committee, I think it's especially important that we maintain a level of professionalism in conversation. That's very important and I do want to thank you, all three of you. One that's not a surprise is this.

Mr. Tenreiro moved to cut the professional development budget by \$342,825. Mr. Noonan seconded.

Mr. Noonan: Have you worked with Tom on these motions?

Mr. Tenreiro: It's not a surprise.

Mr. Noonan: Are you in agreement with these?

Mr. Conlon: Yes we met earlier this afternoon to discuss this.

Mr. Noonan: Okay. I want to make sure we're on the same page.

Mrs. Cylke: It's painful to cut, but we can provide for our professional development from our federal budget.

Mr. Noonan: What I'm getting at is you as Superintendent , the Business Manager, and Mr. Conlon agreed to this cut?

Mrs. Cylke: Yes.

Mr. Tenreiro: We looked at going at it as bare bones as possible as precedence as a situation as we're in. We're attempting to work at getting rid of the FY10-11 budget deficit that we are in to that \$1.5 million budget figure that we're in. The thing that that maintains is that it's not the entire \$377,000 figure because we had so many new first year teachers that doesn't maintain the integrity of the teacher mentor program which I think is a valuable one.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-yes; Mr. Noonan-yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed unanimously.

Mr. Tenreiro moved to reduce the line item for homebound instruction by \$83,000. Mr. Noonan seconded.

Mr. Tenreiro: This is money that is left in there by Mrs. McGrath's position since she left and it needs to be reduced and can be reduced.

Mr. Noonan: Just one thing, you're all on the same page with this?

Mr. Spooner: There's not one thing that's being done that they are not aware of. We're all on the same page with this through their help.

Ms. Bonollo: That position is covered?

Mrs. Cylke: We went in a different direction and what we are doing is we are teaching the students with on line technology. We're providing them with a computer and internet access at home and the curriculum and I thought this was better than the old set up with the homework.

Ms. Bonollo: Can you follow that as to how well the grading and the student's go? I'd like to see that and how successful it is.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-yes; Mr. Noonan-yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed unanimously.

Mr. Tenreiro moved to reduce the data processing conferences line item by \$3,000. Mr. Coughlin seconded.

Ms. Bonollo: Can you be a little more specific as to what that is?

Mr. Conlon: Mike St. Jean has the opportunity to go on different conferences, however, he's really frugal and last year he went to one in New Hampshire and drove up and back and ate at McDonalds so we ended up reimbursing him \$150.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-yes; Mr. Noonan-yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed unanimously.

Mr. Tenreiro moved to direct the Superintendent to freeze custodial overtime except for emergency situations based on her discretion.

Ms. Bonollo seconded.

Ms. Bonollo: My question is how this impacts other activities in the schools?

Mrs. Cylke: If we have a major snow storm we have to get the sidewalks cleared or some pipes burst but if we receive a request for an extra night guy for a basketball game I'm saying no figure something out.

Mr. Tenreiro: There's a separate line item for extra-curricular activity overtime for \$283,000. The only request I have for that is when Tom is working the on numbers for the next meeting if you could make a line item reduction I know that \$50,000 was made by the previous committee, but there is another possibility that we at least do that.

Mr. Noonan: I was going to ask you about overtime costs. How are we doing on that?

Mrs. Cylke: I think everyone is aware of our budget situation and we understand that we can't continue with overtime.

Mr. Noonan: Who makes the decision not to approve it?

Mrs. Cylke: Either myself or Mr. Scallin because he's the one who gets the calls.

Mr. Noonan: Does Mr. Scallin come to you all the time; part of the time?

Mrs. Cylke: Not all the time, but he and Mr. Lefebvre are very aware that we have to be prudent.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-yes; Mr. Noonan-yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed unanimously.

Mr. Tenreiro moved that all budget documents that are public including something like this power point get posted on our district site, the front page of that as soon as possible; all budget documents and summaries that have been made public. Mr. Araujo seconded.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-yes; Mr. Noonan-yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed unanimously.

Ms. Bonollo: Who's responsible for posting?

Mrs. Cylke: Me and Dianna. I certainly want to have in place a system where everything is electronic and everyone have their own laptop and that gives you perfect transparency and I've asked Mike St. Jean to look at these. There will be savings by not printing. The system I'm coming from has a video of the meeting. I have three companies looking at our web site to make it easier to navigate.

Mr. Tenreiro: Tom I know you said you were working to get the actual and class size. One item I looked at was textbooks. Is there a real cycle for review of textbooks and looking at we're aligning our standards with curriculum common core and there are twenty eight states moving in that direction would it make sense to develop a plan that ends up purchasing books that align with the common core instead of just replacing stuff? There's close to \$200,000 in textbooks and I don't know how much has been spent and I don't know if that's an area where you'd want to freeze that right next time and what are your thoughts on that?

Mrs. Cylke: Textbooks are very expensive. Our textbooks are very old. Some are ten years old. In Nevada it's a law that you replace a textbook every seven years and make sure it's current. When you're looking at 65,000 students there's a cycle and it's a cycle of about fifteen years and when you start that review then you make a decision to bring that budget to the school committee. There are two things you look at with textbooks, one would be electronic textbooks and you're absolutely right that they will reflect the core standards. No school district in America can afford to purchase new textbooks in all core subject areas.

Mr. Tenreiro: The RIASC has a FICA alternative for part time employees and I don't know how it works but they pay into something and it may not bring much savings but I think it's one area where we might be able to combine savings with the City ultimately and maybe bring \$55,000 savings with the City. I know they have a partnership with the State of Texas.

Mr. Tenreiro moved to utilize the self funded health insurance reserves of the Pawtucket School Department; not for a specific amount, but for whatever amount is needed to get to the \$1.5 deficit that we currently have based on the cuts made tonight. **Mr. Coughlin** seconded.

Mrs. Cylke: Let me share where this came from. Thursday when we were meeting with the City and Director Gallogy, the City shared a summary and budget notebook where they were going to identify some funds. When it came to Mr. Conlon he said, hey, they're using their medical reserves. Director Gallogy liked that. You've identified

everything because your City has to go for a deficit bond and we want that to be as small as possible and that definitely attacks your moody rating. Where it says medical reserves \$769,000 and in FY11 medical reserves \$635,000 so when we got back to the office on Friday, Mr. Conlon pointed out that we have based on projections and past history, we're going to have \$900,000 in medical reserves. The rule of thumb is you keep a month and a half of those funds in reserve so we should have ideally \$1.9 million. Under normal circumstances I would never recommend the School Committee use these medical reserves. I think what Mr. Tenreiro is suggesting is that there are funds there and we need to address a \$1.5 million deficit and the State is doing it, the City is doing it. These projections are "iffy." So if for example we had a lot of medical claims in the next five months that \$1.9 could be zero. If it goes the way it is going we're going to have a reserve. Normally you want to keep that in your budget for next year, but that is not what the City is doing.

Ms. Bonollo: Tom is that part of your anticipated cuts?

Mr. Conlon: No. We have a co-mingled fund and we have a consultant who recommends the amount of funding to reserve out of which we pay to Blue Cross because we are self funded. Up until this year we were with the City and had an agreement with them but that fund was in the negative because there were more sick employees than money went into it and the City would pick that up. If you recall we used \$2.2 million last year and this year we reduced it to \$1.8 million and that's partly why we only had the \$500,000 deficit. We started off this year on our own. The amount we put in is based on

the amount of sickness—approximately \$15,000 per family plan and \$7,000 for a single plan. We have more employees, we put more money in, we have fewer employees we put less money in and that's the funding of it. By the time we reach December we should have a projection of where we're going to be in June. Funding is a little higher this year.

Mr. Coughlin: Is this strictly being done on averages, no actuaries or statistically expert to model this? This is just based on averages?

Mr. Conlon: Yes using the average monthly claim. The average monthly claim so far is \$1,245,000 every month. That's .4% less than it was last year.

Mr. Coughlin: So you take July 1st to December and doubling it and that's the rest for the year?

Mr. Conlon: Yes I do that every month.

Mr. Coughlin: That's what this moving average is? You're just going to take this first half and double it to go to the second?

Mr. Conlon: Correct.

Mrs. Cylke: One of the trends we saw in previous districts, is you look at the average age. The younger your employee group i.e. Alan goes skiing and breaks a leg, Mrs. Cylke goes skiing and breaks a hip; there is a pattern with a younger class of employees. There is a second class of catastrophic claims. We had a significant number of retirees last year and the year before. That's a positive indicator for this. All we can do is predict.

Mr. Noonan: How do we establish these reserves? Is it by plan?

Mr. Conlon: One is Blue Cross and the other is with Delta Dental.

Mr. Noonan: Do we establish it by we set an amount per the type of plan?

Mr. Conlon: No when I got here it was only three months reserve; those were for claims that were incurred but not paid.

Mr. Noonan: Who makes the decision to for the standard norm now, the \$1.5 million?

Mr. Conlon: A consultant.

Mr. Noonan: This doesn't include medical liability claims?

Mr. Conlon: No, strictly medical.

Mr. Noonan: Okay, great strictly medical. \$1.5 is the standard established by the consultant? You don't have any input into that, right?

Mr. Conlon: We can have any input we want.

Mr. Noonan: How do you feel about the \$1.5?

Mr. Conlon: Last year it was \$2.2 and more than half way through we had to build up that to \$1.9 million and in this year's budget for medical I included 20% of that so that \$386,000 is part of that.

Mr. Noonan: How do you feel about the \$1.5?

Mr. Conlon: I say that when someone is drowning, you don't tell them they should have learned how to swim. It's hard to explain to everybody that you have to raise taxes.

Mr. Noonan: What happens if we can't pay them off? We can't pay the bill?

Mr. Conlon: That becomes part of whatever debt goes into the next year because we have to fund it. Ron will continue to pay the bills.

Mr. Noonan: If I could summarize it, \$1.5 is probably the most

practical thing in this world we're living in. Thank you, Tom.

Ms. Bonollo: You said we have about forty people on United Health? That's a more expensive premium than Blue Cross? Would it be prudent of us to reach out to them and ask them if they would consider changing plans? Confidentiality doesn't allow anyone else to reach out but that is something that would have to be done by our administration. Can we do that?

Mr. Conlon: I don't see why not. But people by contract have that as an option.

Mr. Spooner: As we go with this stuff I know Mrs. Cylke has been using that word "iffy" and it's tough because all of us that know we go into these things and we don't know and we put a lot of pressure on Tom because we say we want a number. What's your best guess?

It's a lot of stress, but we have to do it, we have to do the budget and then the state decides they're not going to give us more money. We guess but we don't know for sure. Some of these things are difficult but as Debbie is going to continue here this is going to be the fun part believe me.

Mr. Conlon: Just so you know it happens on the City side as well.

Mr. Araujo: For next year, for FY12, when you go to budget will you try to reach that \$1.5 million reserve by the end of that year?

Mr. Conlon: No. That's for this year and I included the 20%. It depends where we are. For FY12 we'll budget \$1.9. We raised it last year.

Mr. Tenreiro: I think the key here is that it is a calculated risk we're taking here. I would not normally recommend something like this. If

we go through the year and our unidentified cuts come back close to a million, we don't use the reserve fund at all. That's something to consider. If they come back at \$500,000 then we have to use \$400,000 from the medical reserves. The worst case scenario is a long term liability that comes back or holes come back on the money and we end up having to budget that in the FY12 deficit. That's the elephant in the room too. There are no other big ticket items. There is no one saying we are not going to be appointing that committee today. But that's the bear. We are going to try to get 2011-2012 cleaned up. Now obviously that reserve account we have to get built up again.

Mr. Conlon: The Blue Cross premium is actually 12%, the consultant's advice was it is this. The premium by the way is last year's actual and we add 12% to come up with a premium that Ron Wunschel and I use. The trends are this, the use is this, and this is the population.

Mr. Tenreiro: The best case scenario is the cuts we made tonight, I never put a number to it, and I said we balance. The worst case scenario is we have to add a balance to next year's already large deficit. I think it's a calculated risk that we need to take.

Mr. Noonan: It's the most creative solution we have and I'm ready to vote in favor of it.

Mr. Coughlin: My only reservation right now is if we went through the \$900,000 reserve and our claim experience exceeds what you're projecting, we have no other way to recover. We're going to be giving up a whole lot of other options right now.

Mr. Conlon: If we were a company that was going to close our doors

on June 30th, we would need that money for claims that hadn't come in yet like you have to pay your pension. However, we know that on July 1st that that funding as if it were June 30th and that funding is going to include whatever you had to include that shortfall you just described.

Mr. Coughlin: But if we're short here, and we have a budget we work on for FY12 we could be in for a surprise for FY12 and we've just taken on more expenditures than we had budgeted on June 30th depending on what are experiences are.

Mr. Conlon: Yes. But the opposite of that is we could end up owing if we didn't use that funding. It really doesn't matter. It reverts back into the local fund or you balance the reserves.

Mr. Coughlin: What I'm saying is if we found other cuts. The cuts we made tonight were more deterministic. We knew we had a reduction of the budget other than employees leaving. We know how much we've got budgeted for professional development. This one is more probabilistic.

Mr. Conlon: You're right and if we found other ways to do it we would have.

Mr. Spooner: I think that's why Alan's motion was the way he put it because we don't want to touch it if we don't need to.

Mr. Tenreiro: I think it's probable that as those actual numbers come back will give us a real good idea of what way the budget is two weeks from now or whenever the meeting is.

Mr. Coughlin: But in the mean time the clock is ticking.

Mr. Conlon: We wouldn't actually do that until the last couple of

months. It doesn't affect the cash flow for the City.

Mr. Coughlin: But even if we took something out of it, the fact of the matter is we can get to June counting on having some portion of this take out and have a loss experience or claim experience in June we hadn't planned on. All of a sudden we're going to find ourselves like we did last year and three weeks into June the state is going to cut us and we are not going to make it either because there's two weeks left of school left. We actually do to ourselves what the state did to us two years ago.

Mr. Conlon: You're right but this is not to say we cannot look for more to cut.

Mr. Coughlin: I think you know the pressure would be off once we made this move.

Mr. Conlon: We wouldn't be doing anything until the end of this year.

Mr. Coughlin: So we're rolling the dice on this budget till the last week of June.

Mr. Tenreiro: I would almost say besides unidentified cuts, there are no other non essential or unjustified money that's in there. It's just not there.

Mr. Conlon: We reduced our special education out of district placements.

Mr. Spooner: I think we would have to have something catastrophic happen before and I'm trying to think and there was one year where there was some serious illness going on and it was almost like it impacted us so heavily. There were very serious illnesses.

Mr. Noonan: You mentioned catastrophic things do we have an

umbrella policy?

Mr. Conlon: No.

Roll call:

Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Coughlin-no; Mr. Noonan-these are different times- yes; Mr. Tenreiro-yes; Mr. Spooner-yes

Motion passed five in favor; one opposed.

Mrs. Cylke: This is some sobering information and there are a lot of “if’s” I want to talk about as we look forward to FY12. I want to talk about structural deficits. What is a structural deficit? It’s a deficit that’s built before you begin. It’s an entire year deficit or one that you didn’t resolve and an unanticipated deficit. The \$475,000 that we spent to hire new teachers in September, we should plan to have that in the budget for next year because those kids and teachers are going to stay. The \$500,000 that we started here in the hole, it’s still there for next year. That \$500,000 that we didn’t have still hasn’t been spent. What if the State Legislature reconvenes and what if it allows the municipalities to again fund the school departments at 95% maintenance of effort? The general consensus out there is that is highly likely because of the financial crisis at the state level. Is it prudent that as we go into FY11 that we could be funded that way again.

Mr. Tenreiro: I think that everybody in the room especially school board members and union representation that is definitely one thing we need to look for and go and testify for and make time for and the other one is and David said before if the possibility is that they reduce the amount of state aid by the job money and if we do get

wind of that and it's going to be devastating again and it's one that we have to get active on quickly.

Mrs. Cylke: The next question is the state going to reduce our revenue by 3%? Should we expect that to happen again? I think we should. That is \$4.3 million in possible structural deficit. I can say \$970,000 for sure because that's already in our budget. Next year as we build our budget, we have a 3% increase in teachers' salaries and that's \$1.5 million so we need to plan that in our budget. We have to plan on adding \$1.2 million in pension revenue for all employees. We also know for next year that we need to plan on putting \$300,000 for kindergarten teachers. State law says we have to have a half day kindergarten program. However, we have a full day program. Half of that salary comes from the local budget and half comes from the federal budget and next year we have to plan for that. There's a \$3 million requirement; the all day kindergarten teachers; the amount we have to increase pensions and salaries so you add those three together and you add the new funding formula. However, it's probable that from what I'm hearing is that with the legislature you'll make a decision to put that off a year because they don't have the money to do it. So we don't want to count on that. When you add all of this up there is a \$6.3 to 7.3 million hole.

Mr. Tenreiro: The last bullet is a plus, what is the career and technical aspect of that again?

Mr. Conlon: We have to start putting into all of the state schools, but it's being phased in over five years.

Mrs. Cylke: So what does that mean in real terms, it means if we don't

get to our budget we have a \$90,000 line item for someone with benefits and divide that by \$7.3 million and that's 81 people/positions.

This is an example this is not at all a proposal. It's really 172 positions because if you were to lay off 81 people you really don't have enough money to pay for their unemployment. Those are very deep cuts. When planning a budget you would be prudent to assume scenarios would play out. As we get further into the spring in April we have to bring you a budget for your approval hopefully we'll have better information. If the legislature acts if they did last year their making their decision so late and we already have a budget and by July 1st we're already doing the recall of teachers that were laid off. We really have to focus on FY12 and the \$1.5 million.

Mr. Coughlin left at 7:33 PM

Mr. Tenreiro: It's amazing with the funding formula and the lack of adequacy itself for Pawtucket itself especially when they didn't count ESL students. What's the process you see us moving forward with the FY12 budget? It's January now.

Mrs. Cylke: I went elementary school by elementary school and asked myself are we properly staffed; understaffed; overstaffed? That's done and there are so many students to a classroom.

Allocation review we met with the junior high and high schools and some classes have 28; some have 34 and 38 and that's just not acceptable. We have some high school classes on a four by four schedule, why because we have fewer teachers to cover those prep periods so we are looking into that to find out exactly what that cost is. In the secondary schools, the principals will call and say I need

this and we find that typically they don't need it. So we find out the facts. Personnel will be number one. Supplies are the actual essential expenses that include the toilet paper, paper towels, paper the items necessary to function.

Mr. Tenreiro: What is the timeline for the FY12 budget? When will you have something to the committee?

Mrs. Cylke: Our goal would be by early March. Keep in mind I want to make sure our student-teacher ratio is accurate. Also keep in mind Mr. Tenreiro, we need to have in line what I call a staffing guideline. For example when a high school staffing guideline reaches a 32 we get a half time aide to help out with all that paper work. It's a lot less expensive. That will have to be negotiated. The staffing guideline is something to sit down with your employee group, your administrators and teachers and work out.

Another possible thing is outsourcing. If it pleases the committee it's something we can look at.

Mr. Noonan: Do we have any great news you can tell us anywhere?

Mrs. Cylke: The Ducks won.

Mr. Tenreiro: We have balanced the FY10 budget; we have strong focus on FY12 and I think that's the key.

Mrs. Cylke: I want to thank the Committee for having this type of work session. Where it's very focused on one topic and we will be planning one or two and I look forward to having other work sessions in the future. Thank you very much.

Mr. Spooner: I'd like to thank the three of you. It was quite the education at the State last week. It was quite the eye opener and it

still amazes me how the state is now you see it and now you don't. I've got to tell you that I know I made the statement that I know it's going to be painful and so far it's been pretty good until we hit FY12 and that's where it's going to start. I can't thank you three enough for your help and cooperation in this.

Mrs. Cylke: The Committee was briefed on the adequacy suit and it is something we are pursuing and the best example I can give you is from the meeting on Thursday and as the state is monitoring all of this—this adequacy is not adequate. The best example I can give is this: the City of Pawtucket has \$12,000 allocated per student. A very wonderful person has been named Superintendent of the Year in Rhode Island and that is Kathy Sipala from Narragansett and jokingly I said look at their budget—they get \$17,000 per student. That's \$5,000 X 9,000 students and I told Mrs. Gallogly that I wouldn't be here, I'd be Superintendent of the Year because that's \$45 million more I'd have in my budget. But I was joking with that and I'm happy for Kathy.

V. Appointment of Labor Negotiations Sub Committee:

Mr. Spooner: Appointment of Labor Negotiations Sub Committee. I know Alan wanted to be on it and Nicole. I know Joanne said she wanted out of it. Mike Araujo, guess what? You're wish comes true.

VI. Special Report of the Superintendent of Schools:

Mrs. Cylke: No special report tonight.

VII. Adjournment:

Ms. Bonollo moved to adjourn. Mr. Tenreiro seconded.

Roll call:

**Mr. Araujo-yes; Ms. Bonollo-yes; Mr. Noonan-yes; Mr. Tenreiro-yes;
Mr. Spooner-yes**

Motion carried unanimously.

**The Chairperson adjourned the January 18, 2011 budget workshop of
the Pawtucket School Committee at 7:47 PM.**

Respectfully submitted,

Clerk

Approved 2/15/11